

Edcon aims to win hearts and reap rewards in peak season

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Edcon says it has implemented targeted initiatives for the peak season in a bid to lure customers back through its doors.



Bernie Brookes

Picture: [<https://www.businesslive.co.za/bd/companies/retail-and-consumer/2016-11-23-edcon-aims-to-win-hearts-and-reap-rewards-in-peak-season/> BDive]

The season, which runs from October to December, is driven by holiday and back-to-school shopping. Edcon has historically generated a third of its annual sales in this quarter.

The initiatives that SA's biggest nonfood retailer is punting include increasing cosmetics sales through promotional campaigns, securing special stock for the festive season and driving credit account openings.

But Edcon is in for a bruising battle as many retailers are arming themselves in their fight for customers.

Boston Consulting Group partner and MD Stefan Salzer said intense retail promotions were already under way and consumers would probably bite after having delayed their spending until now.

"The retailers will be looking at catching sales they haven't been able to get all year.

"But it doesn't look like there are strong tail winds to rouse the sector going into the end of the year and into the beginning of 2017."

He said retailers' search for sales would benefit consumers.

"Will the sales be enough to save retailers this year? I doubt it. But it will be a time for fierce competition," Salzer said.

In its trading update for the second quarter of the company's 2017 financial year, Edcon swung into the black, reporting a net profit of R163m, compared with a R2.1bn net loss in the year-earlier period. However, retail cash sales increased a marginal 0.8%, while retail credit sales decreased 18.1%.

CEO Bernie Brookes said trading conditions in the second quarter continued to be constrained.

"The difficult consumer environment, led largely by challenging macroeconomic factors, continued to weigh on the group's share of profits," he said.

Edcon is in the process of clearing inventories, some as old as three years, which it expects will have an adverse effect on gross profit during the current financial year.

In the Edgars operation, retail sales decreased 6.8%.

The discount division continued to be significantly affected by weak credit sales, which decreased 20.7% compared with the second quarter of 2016. Retail sales were down 5.5%.

Source: Business Day

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